

Annual Budget of
uMshwathi
Municipality

2018/19 To 2020/21
Medium Term Revenue and Expenditure
Forecasts

Table of Contents

PART 1 – ANNUAL BUDGET	1
1.1 MAYOR’S REPORT	1
1.2 COUNCIL RESOLUTIONS	3
1.3 EXECUTIVE SUMMARY	4
1.4 OPERATING REVENUE FRAMEWORK	6
1.5 OPERATING EXPENDITURE FRAMEWORK	10
1.6 CAPITAL EXPENDITURE	13
1.7 CASH FLOW	14
1.8 ANNUAL BUDGET TABLES	14
PART 2 – SUPPORTING DOCUMENTATION	26
2.1 OVERVIEW OF THE ANNUAL BUDGET PROCESS	26
2.2 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP	29
2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS	31
2.4 OVERVIEW OF BUDGET RELATED-POLICIES	34
2.5 OVERVIEW OF BUDGET ASSUMPTIONS	36
2.6 OVERVIEW OF BUDGET FUNDING	37
2.7 EXPENDITURE ON GRANTS AND RECONCILIATIONS OF UNSPENT FUNDS	39
2.8 COUNCILLOR AND EMPLOYEE BENEFITS	39
2.9 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW	42
2.10 ANNUAL BUDGETS AND SDBIPs – INTERNAL DEPARTMENTS	47
2.11 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS	49
2.12 CAPITAL EXPENDITURE DETAILS	49
2.13 LEGISLATION COMPLIANCE STATUS	57
2.14 RESPONSES TO TREASURY’S COMMENTS	56
2.15 OTHER SUPPORTING DOCUMENTS	57
2.16 MUNICIPAL MANAGER’S QUALITY CERTIFICATE	598

List of Tables

Table 1 Consolidated Overview of the 2015/16 MTREF	6
Table 2 Summary of revenue classified by main revenue source	7
Table 3 Percentage growth in revenue by main revenue source	7
Table 4 Operating Transfers and Grant Receipts	8
Table 5 MBRR Table SA14 – Household bills	10
Table 6 Summary of operating expenditure by standard classification item	11
Table 7 2015/16 Medium-term capital budget per vote	13
Table 8 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)	18
Table 9 Budget Process	26
Table 10 Budget Funding	36
Table 11 Grant Funding	37

Table 12 MBRR Table A7 - Budget cash flow statement.....	38
Table 13 MBRR SA19 - Expenditure on transfers and grant programmes.....	4039
Table 14 MBRR SA22 - Summary of councillor and staff benefits	39
Table 15 MBRR SA24 – Summary of personnel numbers	41
Table 16 MBRR SA25 - Budgeted monthly revenue and expenditure	43
Table 17 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote).....	43
Table18 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification).....	454
Table 19 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)	45
Table 20 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)	46
Table 21 MBRR SA30 - Budgeted monthly cash flow.....	47
Table 22 SDBIP Expenditure	47
Table 23 SDBIP Income	48
Table 24 MBRR SA 34a - Capital expenditure on new assets by asset class.....	49
Table 25 MBRR SA 34b - Capital expenditure on the renewal of existing assets by Asset Class.....	500
Table 26 MBRR SA34c - Repairs and maintenance expenditure by asset class.....	520
Table 27 MBRR SA36 - Detailed capital budget per municipal vote	53

Abbreviations and Acronyms

AMR	Automated Meter Reading	ℓ	litre
ASGISA	Accelerated and Shared Growth Initiative	LED	Local Economic Development
BPC	Budget Planning Committee	MEC	Member of the Executive Committee
CBD	Central Business District	MFMA	Municipal Financial Management Act Programme
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
CM	City Manager	MMC	Member of Mayoral Committee
CPI	Consumer Price Index	MPRA	Municipal Properties Rates Act
CRRF	Capital Replacement Reserve Fund	MSA	Municipal Systems Act
DBSA	Development Bank of South Africa	MTEF	Medium-term Expenditure Framework
DoRA	Division of Revenue Act	MTREF	Medium-term Revenue and Expenditure Framework
DWA	Department of Water Affairs	NERSA	National Electricity Regulator South Africa
EE	Employment Equity	NGO	Non-Governmental organisations
EEDSM	Energy Efficiency Demand Side Management	NKPIs	National Key Performance Indicators
EM	Executive Mayor	OHS	Occupational Health and Safety
FBS	Free basic services	OP	Operational Plan
GAMAP	Generally Accepted Municipal Accounting Practice	PBO	Public Benefit Organisations
GDP	Gross domestic product	PHC	Provincial Health Care
GDS	Gauteng Growth and Development Strategy	PMS	Performance Management System
GFS	Government Financial Statistics	PPE	Property Plant and Equipment
GRAP	General Recognised Accounting Practice	PPP	Public Private Partnership
HR	Human Resources	PTIS	Public Transport Infrastructure System
HSRC	Human Science Research Council	RG	Restructuring Grant
IDP	Integrated Development Strategy	RSC	Regional Services Council
IT	Information Technology	SALGA	South African Local Government Association
kl	kilolitre	SAPS	South African Police Service
km	kilometre	SDBIP	Service Delivery Budget Implementation Plan
KPA	Key Performance Area	SMME	Small Micro and Medium Enterprises
KPI	Key Performance Indicator		
kWh	kilowatt		

Part 1 – Annual Budget

1.1 Mayor's Report

Good morning fellow Councillors, Amakhosi neziNduna, officials, ladies and gentlemen.

It is indeed a great pleasure to stand before you today to present the Final Budget for 2018/19.

The process of preparing the budget started in August 2017 with the adoption of the budget process plan by Council. The draft budget was approved by Council in March and made available to the public for comment. The draft budget was submitted to the Provincial Treasury for their comment. The budget was presented to the community at the Joint Mayoral Imbizo held on 22 May 2018. I would like to take this opportunity to thank each and every one of you for your contribution to the processes that have ensured that uMshwathi once again was able to meet all the requirements pertaining to the finalization of the draft budget and IDP for the 2018/2019 financial year.

The tabling and adoption of the budget today will make it possible for the municipality to once again submit its budget to the respective Treasuries timeously. Again, your contribution is duly acknowledged.

In arriving at this milestone, the municipality has complied with the requirements of the Municipal Finance Management Act, particularly in terms of the timeframes and format. There has been extensive public consultation with all relevant stakeholders which culminated in a joint IDP/Budget Imbizo on

I am confident that the budget is credible and is aligned to the IDP. We must all be mindful of the fact that it is not possible for the municipality to implement all the projects that have been requested by the communities in one year. The top three prioritised projects will be implemented over the next three years.

The budgetary constraints compel the municipality to prioritize projects and implement projects within the limits of the available financial resources. This is what we must all make the communities to understand. On administration side we all, that is councillors and officials, will have to be mindful of the recommended cost containment measures to be implemented by all government departments at all levels.

The highlights of the Draft Budget for 2018/19 are as follows:

The total budget commitment for the 2018/19 financial year is as follows:

Operating Expenditure	: R 153 298million
Capital Expenditure	: R 32 842 million
Total	: R 186 140 million

Revenue Projections

Council is hereby informed that the total Revenue Estimates for the 2018/2019 financial year amounts to R186.140 million.

The main income source is attributable to the Rates income and equitable share as shown below:

Rates	: R 36.200 million
Services	: R 2.070 million
Operational Grants	: R 97.972 million
Capital Grants	: R 27.098 million
INEP Grant	: R 10.000 million
Other Income	: R 12.800 million

The above revenue will be applied to meet the expenditure in the normal running of the council's business. The salient features of expenditure are as follows:

Councillor Allowances and Salaries : R 74.477 million

An increase of 7.5% has been budgeted for salaries.

General Expenditure : R 56.091 million

Repairs and Maintenance : R22.730 million

The repairs and maintenance budget was prepared taking into account the requirements of the technical department.

Capital Expenditure

The total capital budget is estimated at R32.842 million and it is divided as follows:

• Roads	: R 18.200 million
• Creches	: R 2.500 million
• Sports field	: R 2.000 million
• Halls	: R 1.500 million
• Taxi Rank	: R 1.000 million
• High Mast	: R 0.600 million
• Community Centres	: R 2.500 million
Total Projects	:R 28.300 million
• Plant & Equipment	: R 4.542 million
Total	: R 32.842 million

1.2 Council Resolutions

On 30 May 2018 the uMshwathi Municipal Council met in the Council Chambers to consider the final annual budget of the municipality for the 2018/19 financial year. The Council approved and adopted the following resolutions:

(a) That the draft operating and capital budgets for the 2018/2019 financial year and the two outer years herewith annexures 1 and 2, be approved by the Council in terms of section 16 (2) of the Municipal Finance Management Act 56/2003,

(b) That in terms of section 2 of the Local Government Municipal Property Rates Act 6/2004, as amended, the general rate to be levied on the market value of all rateable property for the 2018/2019 financial year be adjusted and set as follows;

- Commercial, residential, industrial and vacant properties: R 0,01792242,
- Agricultural properties and Public Service Infrastructure: 0.004480607

(c) That in terms of section 15 of the Municipal Property Rates Act 6/2004 the following exemptions, reductions and rebates are applied for the 2018/2019 financial year;

- Rates on public service infrastructure be phased out in terms of the latest amendments to the Municipal Property Rates Act,
- No rate be applied to the first fifteen thousand rand (R 15 000) of the market value of residential and multipurpose residential properties in terms of section 17 (1) (h) of the Municipal Property Rates Act 6/2004,
- The following rebates/reductions will be applied to the respective categories of properties;

Residential properties;	23%
Agricultural Properties:	47%
Rural Residential	63%

An additional rebate of 5% on net rates payable is applied on total rates paid up by 31 August 2018.

Public Benefit Organizations who serve the local interests and are approved by the SA Revenue Services and referred to specifically in terms of section 18A and Part 1 of the 9th Schedule of the Income Tax Act 58/1962 will receive a rebate of 100%

Qualifying applicants, in terms of the municipality's Rates Policy, who are registered as indigents and are the sole owners of their properties and who permanently reside there on will receive an additional rebate of 75%

Qualifying applicants, in terms of the municipality's Rates Policy, who are over the age of 60 years and or are Disabled persons and who are the sole owners of their properties and who permanently reside thereon will receive an additional rebate calculated on their joint incomes as follows;

Joint income of between R 0 and R 4500 per month 30%

Joint income of between R 4501 and R 5500 per month 20%

Joint income of between R 5501 and R 6500 per month 10%

- (d) That in terms of section 26 (1) (a) of the Municipal Property Rates Act 6/2004 the general rates for the 2018/2019 financial year be recovered in 12 monthly installments and that the final date and time for payment of each monthly installment be 15:00 hours on the last working day of each month,
- (e) That the budgeted salary increase as negotiated and finalised by the Bargaining Council for staff be implemented from 1 July 2018.
- (f) That the Tariff of Charges be reviewed and amended accordingly.
- (g) That the budget, once adopted be submitted to the National and Provincial Treasuries.
- (h) That Council's rates policy is amended to take into account the rebates as per paragraph (c) and the tariff policy is amended to take into account the tariff changes.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items. This has resulted in savings to the municipality to concentrate on direct service delivery.

The municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the municipality has undertaken to implement various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circulars Nos. 89 and 91 and Cost Containment Circular 82 were used to guide the compilation of the 2018/19 MTREF.

The main challenges experienced during the compilation of the 2018/19 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained roads infrastructure;
- The need to reprioritise projects and expenditure within the existing financial resources of the municipality;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – allocations had to be limited the MIG allocation for the 2018/19 financial year; and
- Availability of affordable capital/borrowing.

The following budget principles and guidelines directly informed the compilation of the 2018/19 MTREF:

- The 2017/18 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2018/19 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- As far as possible there will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- A budget was set for the following items and allocations to these items had to be supported by a list and/or motivation setting out the intention and cost of the expenditure which was used to prioritise expenditures:
 - Special Projects;
 - Consultant Fees;
 - Furniture and office equipment;
 - Special Events;
 - HIV/Aids
 - Youth Programs
 - Social Empowerment
 - Sports Promotion
 - Woman Empowerment
 - Refreshments;
 - Ad-hoc travelling; and
 - Subsistence, Travelling & Conference fees.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2018/19 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2018/19 MTREF

	Adjusted Budget: 2017/18	Budget Year: 2018/19	Budget Year +1: 2019/20	Budget Year +2: 2020/21
Total Income	183,627,000.00	186,140,000.00	193,688,700.00	207,967,672.00
Total Operating Expenditure	140,611,000.00	153,298,000.00	160,411,390.00	172,264,717.00
Surplus/-Deficit	43,016,000.00	32,842,000.00	33,277,310.00	35,702,955.00

Total operating revenue has increased by 1.4 per cent for the 2018/19 financial year when compared to the 2017/18 adjusted revenue. For the two outer years, operational revenue is expected to increase by 4.0 per cent and by 7.4 per cent respectively, equating to a total revenue growth of 13.3 per cent over the MTREF when compared to the 2017/18 financial year.

Total operating expenditure for the 2018/19 financial year has been appropriated at R153.298 million. When compared to the 2017/18 adjusted budget, operational expenditure has increased by 9.0 per cent in the 2017/18 budget and increased by 4.6 and 7.4 per cent for each of the respective outer years of the MTREF.

The capital budget of R 32.842 million for 2018/19 is 23.7% lower than the 2017/18 adjusted budget.

1.4 Operating Revenue Framework

For uMshwathi Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the municipal area and continued economic development;
- Efficient revenue management, which aims to ensure at least a 90 per cent annual collection rate for property rates and other key service charges;
- Achievement of full cost recovery of specific user charges especially in relation to trading services;

- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) as amended (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the municipality.

It must be noted that the municipality's only source of own income is rates and refuse collection thus being highly grant dependent. The municipality is always on the lookout for other sources of income to enhance its revenue base.

The following table is a summary of the 2018/19 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Vote Description R thousand	2018/19 Medium Term Revenue & Expenditure Framework		
	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue by Vote			
Vote 1 - Council General	108,110	114,904	123,135
Vote 2 - Rates	36,200	38,372	40,674
Vote 6 - Library Services	2	2	2
Vote 8 - Traffic	320	375	425
Vote 9 - Motor Licencing	2,050	2,250	2,500
Vote 12 - Public Works	37,313	35,511	38,820
Vote 13 - Cemetery/Community Halls	76	81	86
Vote 15 - Waste/Refuse Removal	2,070	2,194	2,326
Total Revenue by Vote	186,140	193,689	207,968

Table 3 Percentage growth in revenue by main revenue source

Description R thousand	2018/19 Medium Term Revenue & Expenditure Framework					
	Budget Year 2018/19		Budget Year +1 2019/20		Budget Year +2 2020/21	
Revenue By Source						
Property rates	36,200	22.76%	38,372	23.10%	40,674	22.72%
Service charges - refuse revenue	2,070	1.30%	2,194	1.32%	2,326	1.30%
Rental of facilities and equipment	550	0.35%	600	0.36%	660	0.37%
Interest earned - external investments	1,500	0.94%	1,500	0.90%	1,500	0.84%
Interest earned - outstanding debtors	8,000	5.03%	8,000	4.82%	8,000	4.47%
Fines, penalties and forfeits	72	0.05%	102	0.06%	127	0.07%
Agency services	2,300	1.45%	2,525	1.52%	2,800	1.56%

Transfers and subsidies	107,972	67.89%	112,396	67.67%	122,487	68.42%
Other revenue	378	0.24%	409	0.25%	439	0.24%
Total Revenue (excluding capital transfers and contributions)	159,042	100%	166,098	100%	179,013	100%

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a minor percentage of the revenue basket for the municipality namely +/- 34 per cent of the total revenue mix.

Revenue from property rates is the second largest revenue source totaling around 22 per cent of the total revenue for the year.

Operating grants and transfers for the 2018/19 year showed a significant increase of 11.6 percent as compared to the 2017/18 financial year. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

Description R thousand	2018/19 Medium Term Revenue & Expenditure Framework		
	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Operating Transfers and Grants			
National Government:	105,261	109,545	119,489
Local Government Equitable Share	91,820	99,895	107,919
Finance Management	1,970	1,970	1,970
Integrated National Electrification Programme	10,000	7,680	9,600
EPWP Incentive	1,471	–	–
Provincial Government:	2,711	2,851	2,998
Arts and Culture: Library Services	2,514	2,640	2,772
Arts and Culture: Cyber Cadet	197	211	226
Total Operating Transfers and Grants	107,972	112,396	122,487

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The current challenge facing the municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the municipality has undertaken the tariff setting process relating to service charges as follows.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process. The general rates rand-age to be applied for the 2018/19 financial year is 0.01792242, (a 6 per cent increase) for residential, commercial, industrial and vacant properties. The rate rand-age applicable to agricultural and public service infrastructure will be 0.004480607. The municipality has taken the decision to phase out the rating of public service infrastructure over the next five years.

National Treasury's MFMA Circulars Nos. 89 and 91 deals, inter alia with the implementation of the Municipal Property Rates Act and the amended regulations issued by the Department of Co-operative Governance. The amended regulations came into effect on 1 July 2016 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties. The Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA;
- 23 per cent rebate will be granted on all residential properties;
- 63 per cent rebate will be granted on properties categorized as rural residential;
- 47 per cent rebate will be granted on all agricultural properties;
- 100 per cent rebate will be granted to registered Public Benefit organisations;
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 20 per cent calculated on a sliding scale in terms of the municipality's Rates Policy. In this regard the following stipulations are relevant:
 - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependents without income;
 - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
 - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
 - The property must be categorized as residential.

1.4.2 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is only provided in the four urban areas of the municipality. It is proposed that the service will be extended to the rural areas as well. However it must be noted that the rural areas are significantly indigent and the extension of the service will not have an impact on the revenue raised for this service. The tariff for the 2018/19 financial year will increase by 6%. A schedule of tariffs is attached to the budget document.

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Table 5 MBRR Table SA14 – Household bills

Description	2018/19 Medium Term Revenue & Expenditure Framework		Budget Year +2 2020/21
	Budget Year 2018/19	Budget Year +1 2019/20	
Rand/cent			
<u>Monthly Account for Household - 'Middle Income Range'</u>			
Rates and services charges:			
Property rates	1,325.14	1,404.65	1,488.92
Refuse removal	131.86	139.78	148.16
Total large household bill:	1,457.00	1,544.43	1,637.08
% increase/-decrease	–	6.0%	6.0%
<u>Monthly Account for Household - 'Affordable Range'</u>			
Rates and services charges:			
Property rates	470.83	499.08	529.03
Refuse removal	131.86	139.78	148.16
Total small household bill:	602.69	638.86	677.19
% increase/-decrease	–	6.0%	6.0%
<u>Monthly Account for Household - 'Indigent' Household receiving free basic services</u>			
Rates and services charges:			
Property rates	126.95	134.56	142.64
Refuse removal	–	–	–
Total small household bill:	126.95	134.56	142.64
% increase/-decrease	–	6.0%	6.0%

1.5 Operating Expenditure Framework

The municipality's expenditure framework for the 2018/19 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication in terms the IDP;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan, no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2018/19 budget and MTREF (classified per main type of operating expenditure):

Table 6 Summary of operating expenditure by standard classification item

Description	2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Employee related costs	64,757	69,290	74,140
Remuneration of councillors	9,720	10,400	11,128
Depreciation & asset impairment	13,500	14,800	16,200
Finance charges	360	50	–
Other materials	815	860	905
Contracted services	37,131	36,456	40,381
Transfers and subsidies	1,750	2,000	2,000
Other expenditure	25,265	26,555	27,510
Loss on disposal of PPE			
Total Expenditure	153,298	160,411	172,265

The budgeted allocation for employee related costs for the 2018/19 financial year totals R74.477 million, which equals 40.0 per cent of the total expenditure. Negotiations are still being held between SALGBC and Labour and increase of 4.2 to 6% suggested for the 2018/19 year. Accordingly salary increases have been factored into this budget at a percentage increase of 8.0 per cent for the 2018/19 financial year. The increase will cover the increase and annual salary notch increases and increase due to revised job evaluation of certain posts. An annual increase of 7.0 per cent has been included in the two outer years of the MTREF. As part of the municipality's cost reprioritization and cash management strategy vacancies have been significantly rationalized downwards. In addition expenditure against overtime was significantly reduced, with provisions against this budget item only being provided for emergency services and other critical functions.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). An increase of 8.0 on the upper limits in line with the latest Government Gazette has been budgeted for.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. There is no provision for debt impairment in the budget because the municipality is currently in the process of carrying out a data cleansing exercise of its debtors. If need be impairment will be considered during the adjustment budget process in January.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital).

Contracted services have been identified as a cost saving area for the municipality. As part of the compilation of the 2018/19 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2018/19 financial year, this group of expenditure totals R37.131 million. Further details relating to contracted services can be seen in MBRR SA1.

Other expenditure comprises of various line items relating to the daily operations of the municipality. In line with the municipality's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the municipality's infrastructure. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved.

1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the municipality's current infrastructure, the 2018/19 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services.

During the compilation of the 2018/19 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the municipality's infrastructure and historic deferred maintenance.

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the municipality's Indigent Policy. The target is to register 3 000 or more indigent households during the 2018/19 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement).

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.5.3 mSCOA Implementation

Once again the budget has been broken down in the mSCOA format for uploading on to the treasury portal by 03 April 2018.

1.6 Capital Budget

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 7: 2015/16 Medium-term capital budget per vote.

Vote Description	2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<i>Capital Expenditure - Functional</i>		-	-
Executive and council	3,792	-	-
Community and social services	8,100	8,500	9,700
Sport and recreation	2,000	-	2,500
Road transport	18,950	22,000	16,800
	32,842	30,500	29,000

For 2018/19 an amount of R 32.842 million has been allocated for the development of infrastructure. Transport and roads has been allocated the highest allocation of R 18.200 million in 2018/19.

Some of the salient projects to be undertaken over the medium-term includes, amongst others:

- Roads : R 18.200 million
- Halls : R 1.500 million
- Creches : R 2.500 million
- High Mast Light : R .600 million
- Sports field : R 2.000 million
- Taxi Rank : R 1.000 million
- Community Centres : R 2.500 million

Total Projects :R 28.300 million

- Plant & Equipment : R 4.542 million

Total : R 32.842 million

1.6.1 Capital Revenue

With only rates and refuse as the main sources of income the municipality is heavily dependent on grants for infrastructure development. If the debt of +/- 40 million rand owed by water affairs is recovered soon the municipality will be in position to fund capital projects internally.

1.6.2 Capital Expenditure

New assets and renewal of assets

The only infrastructure that the municipality has is roads, halls municipal buildings and sports fields. The upkeep of this infrastructure is budgeted for through the repairs and maintenance budget thus the capital budget is for new assets only.

GPS Co-ordinates

The municipality is in the process of obtaining GPS co-ordinates for all its infrastructure and is hoping to have them on the assets register as at 30 June 2018.

Future operational cost of new infrastructure

Future operational costs are included in Table SA35.

1.7 Cash Flow

The budgeted receipt of 90% of interest earned on outstanding debtors is considered acceptable because the municipality has embarked on a stringent debt collection drive towards the latter part of the current year. Furthermore the amount of +/- 35 million owed by the Department of Water Affairs is expected to be received in the current financial year. If need be the budgeted cash flow will be adjusted during the adjustment budget process.

1.8 Annual Budget Tables

The Annual Budget Tables (A1 to A10) are attached separately to the report. However explanations for each are given below:

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures.

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote.

Table 8 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

Description	2018/19 Medium Term Revenue & Expenditure Framework		
	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand			
<u>Revenue By Source</u>			
Property rates	36,200	38,372	40,674
Service charges - refuse revenue	2,070	2,194	2,326
Rental of facilities and equipment	550	600	660
Interest earned - external investments	1,500	1,500	1,500
Interest earned - outstanding debtors	8,000	8,000	8,000
Fines, penalties and forfeits	72	102	127
Licences and permits			
Agency services	2,300	2,525	2,800
Transfers and subsidies	107,972	112,396	122,487
Other revenue	378	409	439
Gains on disposal of PPE			
Total Revenue (excluding capital transfers and contributions)	159,042	166,098	179,013
<u>Expenditure By Type</u>			
Employee related costs	64,757	69,290	74,140
Remuneration of councillors	9,720	10,400	11,128
Debt impairment			
Depreciation & asset impairment	13,500	14,800	16,200
Finance charges	360	50	–
Bulk purchases	–	–	–
Other materials	815	860	905
Contracted services	37,131	36,456	40,381
Transfers and subsidies	1,750	2,000	2,000
Other expenditure	25,265	26,555	27,510
Total Expenditure	153,298	160,411	172,265
Surplus/(Deficit)	5,744	5,686	6,748
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	27,098	27,591	28,955
Transfers and subsidies - capital (in-kind - all)			
Surplus/(Deficit) after capital transfers & contributions	32,842	33,277	35,703
Surplus/(Deficit) for the year	32,842	33,277	35,703

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R159.042 million in 2018/19.
2. Revenue to be generated from property rates net of rebates is R36.200 million in the 2018/19 financial year. It remains relatively constant over the medium-term and tariff increases have been factored in at 6 per cent for each of the respective financial years of the MTREF.
3. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. The percentage share of this revenue source is in the region of 60%.
4. Employee related costs are the main cost driver within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The capital programme is funded from capital and provincial grants and transfers, and internally generated funds from current year surpluses.

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
2. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
3. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded. Reference is made to the explanatory notes for Table A4 where the reason for the deficit is given and how it will be corrected.

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance namely the mayor.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the City's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2017) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the following budget time schedule:

Table 9 – Budget Process

ACTIVITY No	THE EXECUTIVE MAYOR AND THE MUNICIPAL COUNCIL	DATE AND MONTH
1	Mayor - Tables in the Municipal Council a time schedule outlining key deadline dates: - Planning - Tabling and approving the budget - Reviewing the IDP (Sect 34 of the MSA) - Establish Budet and Treasury Steering committee (BTSC) - Budget related policies and consultation processes MFMA sect 21,22,23 and MSA sect 34, CH 4	Municipal Council Resolution 31-Aug-17
2	Mayor - Commences with planning for the next three years in terms of Sect. 52 & 53 of the MFMA - Review of the previous year's budget process	01-Nov-17 First Meeting of

	- The completion of the Budget Evaluation Checklist - Revision of the 2016/2017 Integrated Development Plan	the BTSC
3	Municipal Council - To undertake the IDP review process to: - Determine strategic objectives for service delivery & development for the next MTREF budget period - Review of provincial and national government sector and its strategic plans	Municipal Council Resolution 31-Aug-17
4	Mayor - Convenes the meeting of the Budget & Treasury Steering Committee to discuss and debate the Medium Term Budget Policy Statement	30-Nov-17
5	Mayor - Tables the Medium Term Budget Policy Statement and the I.D.P in the Municipal Council for discussion, debate & adoption.	14-Dec-17 MC Resolution
6	Mayor - Tables the Final Draft of the MTREF Budget, I.D.P., SDBIP in the Municipal Council, 90 Days before the start of the financial year Publication of the MTREF Budget & I.D.P on website print media	30-Mar-18 13-Apr-18
7	Mayor and Speaker of the Municipal Council - To engage in the Public Participation programme on the MTREF Budget, IDP and debate in the Municipal Council - Municipal Council to consider the submissions and views of the local communities, NT, PT, other provincial and national organs of State and municipal councils - Mayor to be provided with an opportunity to respond to submissions during consultations and table amendments for consideration by the Municipal Council. MFMA sect 23,24; MSA CH 4	2nd week in May
8	Mayor Tables and Municipal Council : - Must approve the 2017/2018 MTREF Budget, the I.D.P & SDBIP by budget resolution approving changes to the IDP and budget related policies, approving measurable performance objectives for revenue by source and expenditure by vote before the start of the budget year. MFMA sect 16,24,26,53	31-May-18
9	Mayor - Must approve the SDBIP within 28 days after approval of the budget and ensure that annual performance contracts are concluded in accordance with Sect 57(2) of the MSA. - Must ensure that APA are linked to the measurable performance objectives that were approved with the SDBIP and the budget. - Must submit the SDBIP and performance agreements to the Municipal Council, MEC for Local Government and makes public within 14 days after approval.	28-Jun-18

	MFMA sect 53 ; MSA sect 38-45, 57(2)	
10	Municipal Council - Must finalize a system of delegations MFMA sect 59,79,82 ; MSA sect 59-65	31-May-18 (proposed date)
	Abbreviations : IDP - Integrated Development Plan MFMA - Municipal Finance Management Act, no 56 of 2003 MSA - Local Government Municipal Systems Act, no 32 of 2000 MTBPS - National Treasury, Medium Term Budget and Policy Statement NT - National Treasury PT - Provincial Treasury SDBIP - Service Delivery Budget Implementation Plan	

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

The municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to review included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2017/18. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2018/19 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2017/18 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2018/19 MTREF, extensive financial modelling was undertaken to ensure the affordability and long-term financial sustainability of the municipality. The following key factors and planning strategies have informed the compilation of the 2018/19 MTREF:

- Municipal growth

- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends Performance trends
- The approved 2017/18 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 89 and 91 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The draft 2018/19 MTREF, once approved in March, was made available for public comment. A joint Imbizo was held in conjunction with the District where the budget was presented to the community.

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five-year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial Plans. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such plans is therefore imperative to ensure that the municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Alignment to the National Development Plan;
- Alignment to the Provincial Growth and Development Strategy;
- Consideration of the National Key Performance Indicators (NKPis);
- Consideration of the National Priority Outcomes.
- Consideration of the District Growth and Development

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP.

In order to ensure integrated and focused service delivery between all spheres of government it was important for the municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
 - o Provide waste removal;
 - o Provide housing;
 - o Provide roads and storm water;
 - o Provide public transport;
 - o Provide city planning services; and
 - o Maintaining the infrastructure of the municipality.
2. Economic growth and development that leads to sustainable job creation by:
 - o Ensuring there is a clear structural plan for the municipality;
 - o Ensuring planning processes function in accordance with set timeframes;
 - o Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
 - o Effective implementation of the Indigent Policy;
 - o Working with the provincial department of health to provide primary health care services;
 - o Extending waste removal services and ensuring effective municipal cleansing;
 - o Working with strategic partners such as SAPS to address crime;

- o Ensuring safe working environments by effective enforcement of building and health regulations;
 - o Promote viable, sustainable communities through proper zoning; and
 - o Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
- o Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly coordinated with the informal settlements upgrade programme
4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
- o Optimising effective community participation in the ward committee system; and
 - o Implementing Batho Pele in the revenue management strategy.
- 5.1 Promote sound governance through:
- o Publishing the outcomes of all tender processes on the municipal website
- 5.2 Ensure financial sustainability through:
- o Reviewing the use of contracted services
 - o Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
- 5.3 Optimal institutional transformation to ensure capacity to achieve set objectives
- o Review of the organizational structure to optimize the use of personnel;

The IDP constitutes a single, inclusive strategic plan for the municipality. The five-year programme responds to the development challenges and opportunities faced by the municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The municipality target, monitors, assesses and reviews organisational performance which in turn is directly linked to individual performance of heads of departments.

The performance of the municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);

- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

2.3.1 Performance indicators and benchmarks

2.3.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities the municipality's borrowing strategy is primarily informed by the affordability of debt repayments.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs.

2.3.1.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, and overdraft and tax provisions as a percentage of funds and reserves.
- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves.

2.3.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the City has set a limit of 1,
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations.

2.3.1.4 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework will have to be developed during the current MTREF. The intention of the framework will be to streamline the revenue value chain by ensuring accurate billing, customer service, and credit control and debt collection.

2.3.1.5 Creditors Management

- The municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice.

2.3.1.6 Other Indicators

- It is attempted to maintain Employee costs as a percentage of operating revenue in the region between 30 and 35 per cent.
- Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is around 10%.

2.3.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the municipality. Currently free basic electricity is supplied to registered users.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table MBRR A10 (Basic Service Delivery Measurement).

2.4 Overview of budget related-policies

The municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies. The rates policy and other related policies is in the process of being reviewed and will be adopted with the final budget.

2.4.1 Review of credit control and debt collection procedures/policies

The Credit Control and Debt Collection Policy is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, the Integrated Indigent Exit Programme aims to link the registered indigent households to development, skills and job opportunities. The programme also seeks to ensure that all departments as well as external role players are actively involved in the reduction of the number of registered indigent households.

The 2018/19 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 90 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the municipality's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy. Negotiations are almost at the final stages with the National Department of Water and Sanitation to recover the debt owed by them.

2.4.2 Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the municipality's revenue base

The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the

policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets). The policy is also currently under review.

2.4.3 Budget Adjustment Policy

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

2.4.4 Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council in September 2012 and was reviewed and workshopped in April 2018. The reviewed policy will be approved by Council by 30 June 2018.

2.4.5 Budget and Virement Policy

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the municipality's system of delegations. The Budget and Virement Policy has been reviewed in the current year and is awaiting Council approval.

2.4.6 Cash Management and Investment Policy

The municipality's Cash Management and Investment Policy was amended by Council in 2010. The aim of the policy is to ensure that the municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves.

2.4.7 Tariff Policies

The municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

2.4.8 Rates Policy

The municipality's rates policy is reviewed on an annual basis to factor in the latest rebate structures and any amendments to the Municipal Property Rates Act.

2.4.9 Indigent Policy

The Indigent Policy is also currently under review and will be adopted by the end of 30 June 2018.

2.5 Overview of budget assumptions

2.5.1 External factors

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the municipality's finances.

2.5.2 General inflation outlook and its impact on the municipal activities

There are four key factors that have been taken into consideration in the compilation of the 2018/19 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on municipality's residents and businesses;
- The impact of municipal cost drivers; and
- The increase in the cost of remuneration. Employee related costs comprise 49.0 per cent of total operating expenditure in the 2018/19 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget.

2.5.3 Credit rating outlook

The credit rating of the municipality is a satisfactory 4 and is not expected to improve in the next year.

2.5.4 Collection rate for revenue services

The rate of revenue collection is currently expressed as a percentage (85 per cent) of annual billings. Cash flow is assumed to be 85 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

2.5.5 Salary increases

The collective agreement regarding salaries/wages is currently at the negotiation stage. Once finalised the negotiated increase will be implemented on 01 July 2018.

2.5.6 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to

align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.5.7 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 100 per cent is achieved on operating expenditure and 95 per cent on the capital programme for the 2017/18 MTREF of which performance has been factored into the cash flow budget.

2.6 Overview of budget funding

2.6.1 Medium-term outlook for both operating and capital revenue is as per table below:

Table 10 – Budget Funding

Description	2018/19 Medium Term Revenue & Expenditure Framework		
	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand			
Revenue By Source			
Property rates	36,200	38,372	40,674
Service charges - refuse revenue	2,070	2,194	2,326
Rental of facilities and equipment	550	600	660
Interest earned - external investments	1,500	1,500	1,500
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Transfers and subsidies	107,972	112,396	122,487
Other revenue	378	409	439
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	27,098	27,591	28,955
	186,140	193,689	207,968

The following tables shows the operational and capital grants allocated to the municipality through Division of Revenue Act:

Table 11 – Grant Funding

Description	2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<u>Operating Transfers and Grants</u>			
National Government:	105,261	109,545	119,489
Local Government Equitable Share	91,820	99,895	107,919
Finance Management	1,970	1,970	1,970
Integrated National Electrification Programme	10,000	7,680	9,600
EPWP Incentive	1,471	–	–
Provincial Government:	2,711	2,851	2,998
Arts and Culture: Library Services	2,514	2,640	2,772
Arts and Culture: Cyber Cadet	197	211	226
Total Operating Transfers and Grants	107,972	112,396	122,487
<u>Capital Transfers and Grants</u>			
National Government:	27,098	27,591	28,955
Municipal Infrastructure Grant (MIG)	27,098	27,591	28,955
TOTAL RECEIPTS OF TRANSFERS & GRANTS	135,070	139,987	151,442

2.6.2 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provided for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

Table 12 MBRR Table A7 - Budget cash flow statement

Description	2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
CASH FLOW FROM OPERATING ACTIVITIES			

Receipts			
Property rates	32,580	34,500	36,600
Service charges	1,863	1,975	2,100
Other revenue	3,300	3,636	4,026
Government - operating	107,972	112,396	122,487
Government - capital	27,098	27,591	28,955
Interest	9,500	9,500	9,500
Payments			
Suppliers and employees	(137,688)	(143,561)	(154,065)
Finance charges	(360)	(50)	–
Transfers and Grants	(1,750)	(2,000)	(2,000)
NET CASH FROM/(USED) OPERATING ACTIVITIES	42,515	43,986	47,603
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Proceeds on disposal of PPE	–	–	–
Decrease (Increase) in non-current debtors	–	–	–
Decrease (increase) other non-current receivables	–	–	–
Decrease (increase) in non-current investments	–	–	–
Payments			
Capital assets	(32,842)	(30,500)	(29,000)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(32,842)	(30,500)	(29,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
Short term loans	–	–	–
Borrowing long term/refinancing	–	–	–
Increase (decrease) in consumer deposits	–	–	–
Payments			
Repayment of borrowing	(1,600)	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES	(1,600)	–	–
NET INCREASE/ (DECREASE) IN CASH HELD	8,073	13,486	18,603
Cash/cash equivalents at the year begin:	6,405	14,478	27,964
Cash/cash equivalents at the year end:	14,478	27,964	46,567

The above table shows that cash and cash equivalents of the municipality have steadily increased over the past few years. This trend is expected to continue during the 2018/19 MTREF.

2.7 Expenditure on grants and reconciliations of unspent funds

Table 13 shows the expenditure on transfers and grants received. The municipality did not have any unspent grants for the past three years.

Table 13 MBRR SA19 - Expenditure on transfers and grant programmes

Description	2018/19 Medium Term Revenue & Expenditure Framework		
	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand			
EXPENDITURE:			
–			
Operating expenditure of Transfers and Grants			
National Government:	105,261	109,545	119,489
Local Government Equitable Share	91,820	99,895	107,919
Finance Management	1,970	1,970	1,970
Integrated National Electrification Programme	10,000	7,680	9,600
EPWP Incentive	1,471	–	–
Provincial Government:	2,711	2,851	2,998
Arts and Culture: Library Services	2,514	2,640	2,772
Arts and Culture: Cyber Cadet	197	211	226
Total operating expenditure of Transfers and Grants:	107,972	112,396	122,487
Capital expenditure of Transfers and Grants			
National Government:	27,098	27,591	28,955
Municipal Infrastructure Grant (MIG)	27,098	27,591	28,955
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	135,070	139,987	151,442

2.7.1 Allocations on Grants made by the Municipality

The only allocation made by the municipality is in the form of offering free basic electricity to those who are registered on the data base.

2.8 Councillor and employee benefits

Table 14 MBRR SA22 - Summary of councillor and staff benefits

Summary of Employee and Councillor remuneration	2018/19 Medium Term Revenue & Expenditure Framework		
	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand			
Councillors (Political Office Bearers plus Other)			
Basic Salaries and Wages	6,480	6,934	7,419

Pension and UIF Contributions	227	243	260
Motor Vehicle Allowance	2,268	2,427	2,597
Cellphone Allowance	659	705	754
Other benefits and allowances	86	92	99
Sub Total - Councillors	9,720	10,400	11,128
% increase	-	7.0%	7.0%
<u>Senior Managers of the Municipality</u>			
Basic Salaries and Wages	4,297	4,598	4,920
Pension and UIF Contributions	10	10	10
Medical Aid Contributions	1	1	1
Performance Bonus	508	544	582
Motor Vehicle Allowance	1,164	1,245	1,333
Other benefits and allowances	66	71	76
Sub Total - Senior Managers of Municipality	6,046	6,468	6,920
% increase	-	7.0%	7.0%
<u>Other Municipal Staff</u>			
Basic Salaries and Wages	38,158	40,829	43,687
Pension and UIF Contributions	8,334	8,918	9,543
Medical Aid Contributions	2,823	3,021	3,232
Overtime	886	948	1,014
Motor Vehicle Allowance	1,892	2,025	2,167
Housing Allowances	630	674	721
Other benefits and allowances	5,988	6,408	6,856
Sub Total - Other Municipal Staff	58,711	62,822	67,220
% increase	-	7.0%	7.0%
Total Parent Municipality	74,477	79,690	85,269
	-	7.0%	7.0%
TOTAL MANAGERS AND STAFF	64,757	69,290	74,140

Table 15 MBRR SA24 – Summary of personnel numbers

Summary of Personnel Numbers	Budget Year 2015/16		
	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities			
Councillors (Political Office Bearers plus Other Councillors)	27		27
Municipal employees			
Municipal Manager and Senior Managers	5		5
Other Managers	17	16	1
Professionals	27	27	-
<i>Finance</i>	17	17	

<i>Information Technology</i>	1	1	
<i>Roads</i>	1	1	
<i>Other</i>	8	8	
Technicians	180	180	–
<i>Other</i>	180	180	
Clerks (Clerical and administrative)	14	14	
Service and sales workers	8	8	
TOTAL PERSONNEL NUMBERS	278	245	33

2.9 Monthly targets for revenue, expenditure and cash flow

Table 16 MBRR SA25 - Budgeted monthly revenue and expenditure

Description	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand															
Revenue By Source															
Property rates	3,017	3,017	3,017	3,017	3,017	3,017	3,017	3,017	3,017	3,017	3,017	3,017	36,200	38,372	40,674
Service charges - refuse revenue	173	173	173	173	173	173	173	173	173	173	173	173	2,070	2,194	2,326
Service charges - other												–	–	–	–
Rental of facilities and equipment	46	46	46	46	46	46	46	46	46	46	46	46	550	600	660
Interest earned - external investments	125	125	125	125	125	125	125	125	125	125	125	125	1,500	1,500	1,500
Interest earned - outstanding debtors	666	666	666	666	666	666	666	666	666	666	666	674	8,000	8,000	8,000
Fines, penalties and forfeits	6	6	6	6	6	6	6	6	6	6	6	6	72	102	127
Agency services	192	192	192	192	192	192	192	192	192	192	192	192	2,300	2,525	2,800
Transfers and subsidies	43,228	588		6,711	31,047		3,000	442	22,956			–	107,972	112,396	122,487
Other revenue	32	32	32	32	32	32	32	32	32	32	32	32	378	409	439
Total Revenue (excluding capital transfers and	47,483	4,843	4,255	10,966	35,302	4,255	7,255	4,697	27,211	4,255	4,255	4,265	159,042	166,098	179,013
Expenditure By Type															
Employee related costs	5,396	5,396	5,396	5,396	5,396	5,396	5,396	5,396	5,396	5,396	5,396	5,397	64,757	69,290	74,140
Remuneration of councillors	810	810	810	810	810	810	810	810	810	810	810	810	9,720	10,400	11,128
Depreciation & asset impairment	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	13,500	14,800	16,200
Finance charges	30	30	30	30	30	30	30	30	30	30	30	30	360	50	–
Other materials	68	68	68	68	68	68	68	68	68	68	68	68	815	860	905
Contracted services	3,094	3,094	3,094	3,094	3,094	3,094	3,094	3,094	3,094	3,094	3,094	3,094	37,131	36,456	40,381
Transfers and subsidies	146	146	146	146	146	146	146	146	146	146	146	146	1,750	2,000	2,000
Other expenditure	2,105	2,105	2,105	2,105	2,105	2,105	2,105	2,105	2,105	2,105	2,105	2,106	25,265	26,555	27,510
Total Expenditure	12,775	12,775	12,775	12,775	12,775	12,775	12,775	12,775	12,775	12,775	12,775	12,776	153,298	160,411	172,265
Surplus/(Deficit)	34,708	(7,932)	(8,520)	(1,809)	22,527	(8,520)	(5,520)	(8,078)	14,436	(8,520)	(8,520)	(8,511)	5,744	5,686	6,748
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	11,290				9,032				6,776			–	27,098	27,591	28,955
Surplus/(Deficit) after capital transfers & contributions	45,998	(7,932)	(8,520)	(1,809)	31,559	(8,520)	(5,520)	(8,078)	21,212	(8,520)	(8,520)	(8,511)	32,842	33,277	35,703
Surplus/(Deficit)	45,998	(7,932)	(8,520)	(1,809)	31,559	(8,520)	(5,520)	(8,078)	21,212	(8,520)	(8,520)	(8,511)	32,842	33,277	35,703

Table 17 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

Description	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue by Vote															
Vote 1 - Council General	43,239	599	11	6,722	31,058	11	3,011	453	22,967	11	11	12	108,110	114,904	123,135
Vote 2 - Rates	3,017	3,017	3,017	3,017	3,017	3,017	3,017	3,017	3,017	3,017	3,017	3,017	36,200	38,372	40,674
Vote 6 - Library Services			1			1			1			1	2	2	2
Vote 8 - Traffic	27	27	27	27	27	27	27	27	27	27	27	27	320	375	425
Vote 9 - Motor Licencing	171	171	171	171	171	171	171	171	171	171	171	171	2,050	2,250	2,500
Vote 12 - Public Works	12,141	851	851	851	9,883	851	851	851	7,627	851	851	851	37,313	35,511	38,820
Vote 13 - Cemetery/Community Halls	6	6	6	6	6	6	6	6	6	6	6	6	76	81	86
Vote 15 - Waste/Refuse Removal	173	173	173	173	173	173	173	173	173	173	173	173	2,070	2,194	2,326
Total Revenue by Vote	58,774	4,844	4,256	10,967	44,335	4,256	7,256	4,698	33,988	4,256	4,256	4,258	186,140	193,689	207,968
Expenditure by Vote to be appropriated															
Vote 1 - Council General	1,220	1,220	1,220	1,220	1,220	1,220	1,220	1,220	1,220	1,220	1,220	1,221	14,642	15,632	16,675
Vote 3 - Municipal Manager	1,461	1,461	1,461	1,461	1,461	1,461	1,461	1,461	1,461	1,461	1,461	1,461	17,529	18,014	18,947
Vote 4 - Corporate Services	2,054	2,054	2,054	2,054	2,054	2,054	2,054	2,054	2,054	2,054	2,054	2,054	24,646	26,030	27,433
Vote 5 - Community Services	1,081	1,081	1,081	1,081	1,081	1,081	1,081	1,081	1,081	1,081	1,081	1,081	12,973	14,068	14,987
Vote 6 - Library Services	166	166	166	166	166	166	166	166	166	166	166	166	1,994	2,149	2,293
Vote 7 - Municipal Buildings	367	367	367	367	367	367	367	367	367	367	367	367	4,400	5,000	5,500
Vote 8 - Traffic	319	319	319	319	319	319	319	319	319	319	319	318	3,824	4,079	4,351
Vote 9 - Motor Licencing	114	114	114	114	114	114	114	114	114	114	114	114	1,364	1,459	1,561
Vote 10 - Finance	2,286	2,286	2,286	2,286	2,286	2,286	2,286	2,286	2,286	2,286	2,286	2,287	27,437	29,641	31,785
Vote 11 - Technical Services	1,883	1,883	1,883	1,883	1,883	1,883	1,883	1,883	1,883	1,883	1,883	1,883	22,593	24,179	25,824
Vote 12 - Public Works	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450	17,400	15,540	18,020
Vote 13 - Cemetery/Community Halls	105	105	105	105	105	105	105	105	105	105	105	105	1,256	1,280	1,358
Vote 14 - Environmental/Pound Management	113	113	113	113	113	113	113	113	113	113	113	114	1,360	1,310	1,350
Vote 15 - Waste/Refuse Removal	157	157	157	157	157	157	157	157	157	157	157	157	1,880	2,030	2,180
Total Expenditure by Vote	12,775	12,775	12,775	12,775	12,775	12,775	12,775	12,775	12,775	12,775	12,775	12,778	153,298	160,411	172,265
Surplus/(Deficit) before assoc.	45,999	(7,931)	(8,519)	(1,808)	31,560	(8,519)	(5,519)	(8,077)	21,213	(8,519)	(8,519)	(8,520)	32,842	33,277	35,703

Table 18 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)

Description	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue - Functional															
Governance and administration	44,095	4,455	3,867	6,578	34,914	3,867	3,867	4,309	26,823	3,867	3,867	3,868	144,380	153,351	163,889
Executive and council	40,282	642	54	2,765	31,101	54	54	496	23,010	54	54	54	98,617	105,416	113,652
Finance and administration	3,814	3,814	3,814	3,814	3,814	3,814	3,814	3,814	3,814	3,814	3,814	3,814	45,763	47,935	50,237
Community and public safety	1	1	1	1	1	1	1	1	1	1	1	0	8	8	8
Community and social services	1	1	1	1	1	1	1	1	1	1	1	0	8	8	8
Economic and environmental services	11,335	45	45	45	9,077	45	45	45	6,821	45	45	45	27,633	28,206	29,645
Road transport	11,335	45	45	45	9,077	45	45	45	6,821	45	45	45	27,633	28,206	29,645
Trading services	3,173	173	173	4,173	173	173	3,173	173	173	173	173	173	12,070	9,874	11,926
Energy sources	3,000			4,000			3,000					-	10,000	7,680	9,600
Waste management	173	173	173	173	173	173	173	173	173	173	173	173	2,070	2,194	2,326
Other	171	171	171	171	171	171	171	171	171	171	171	171	2,050	2,250	2,500
Total Revenue - Functional	58,774	4,844	4,256	10,967	44,335	4,256	7,256	4,698	33,988	4,256	4,256	4,257	186,140	193,689	207,968
Expenditure - Functional															
Governance and administration	8,315	8,315	8,315	8,315	8,315	8,315	8,315	8,315	8,315	8,315	8,315	8,314	99,777	106,411	113,228
Executive and council	2,664	2,664	2,664	2,664	2,664	2,664	2,664	2,664	2,664	2,664	2,664	2,664	31,971	33,647	35,623
Finance and administration	5,651	5,651	5,651	5,651	5,651	5,651	5,651	5,651	5,651	5,651	5,651	5,650	67,806	72,764	77,605
Community and public safety	425	425	425	425	425	425	425	425	425	425	425	426	5,100	5,404	5,751
Community and social services	333	333	333	333	333	333	333	333	333	333	333	334	4,000	4,254	4,551
Sport and recreation	92	92	92	92	92	92	92	92	92	92	92	92	1,100	1,150	1,200
Economic and environmental services	3,045	3,045	3,045	3,045	3,045	3,045	3,045	3,045	3,045	3,045	3,045	3,046	36,541	38,887	41,505
Road transport	2,944	2,944	2,944	2,944	2,944	2,944	2,944	2,944	2,944	2,944	2,944	2,944	35,331	37,727	40,305
Environmental protection	101	101	101	101	101	101	101	101	101	101	101	101	1,210	1,160	1,200
Trading services	990	990	990	990	990	990	990	990	990	990	990	991	11,880	9,710	11,780
Energy sources	833	833	833	833	833	833	833	833	833	833	833	834	10,000	7,680	9,600
Waste management	157	157	157	157	157	157	157	157	157	157	157	157	1,880	2,030	2,180
Other												-	-	-	-
Total Expenditure - Functional	12,775	12,775	12,775	12,775	12,775	12,775	12,775	12,775	12,775	12,775	12,775	12,777	153,298	160,411	172,265
Surplus/(Deficit) before assoc.	45,999	(7,931)	(8,519)	(1,808)	31,560	(8,519)	(5,519)	(8,077)	21,213	(8,519)	(8,519)	(8,520)	32,842	33,277	35,703
Surplus/(Deficit)	45,999	(7,931)	(8,519)	(1,808)	31,560	(8,519)	(5,519)	(8,077)	21,213	(8,519)	(8,519)	(8,520)	32,842	33,277	35,703

Table 19 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)

Description	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
R thousand	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Single-year expenditure to be appropriated															
Vote 1 - Council General			792		1,000			1,000				1,000	3,792	-	-
Vote 5 - Community Services		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	500	600	10,100	8,500	12,200
Vote 11 - Technical Services		1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	2,000	1,650	18,950	22,000	16,800
Capital single-year expenditure sub-total	-	2,700	3,492	2,700	3,700	2,700	2,700	3,700	2,700	2,700	2,500	3,250	32,842	30,500	29,000
Total Capital Expenditure	-	2,700	3,492	2,700	3,700	2,700	2,700	3,700	2,700	2,700	2,500	3,250	32,842	30,500	29,000

Table 20 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)

Description	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
R thousand	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Capital Expenditure - Functional															
Governance and administration	-	-	792	-	1,000	-	-	1,000	-	-	-	1,000	3,792	-	-
Executive and council			792		1,000			1,000				1,000	3,792	-	-
Community and public safety	-	945	945	945	945	945	945	945	945	945	645	950	10,100	8,500	12,200
Community and social services		645	645	645	645	645	645	645	645	645	645	1,650	8,100	8,500	9,700
Sport and recreation		300	300	300	300	300	300	300	300	300	0	(700)	2,000	-	2,500
Economic and environmental services	-	1,725	1,725	1,725	1,725	1,725	1,725	1,725	1,725	1,725	1,725	1,700	18,950	22,000	16,800
Road transport		1,725	1,725	1,725	1,725	1,725	1,725	1,725	1,725	1,725	1,725	1,700	18,950	22,000	16,800
Total Capital Expenditure - Functional	-	2,670	3,462	2,670	3,670	2,670	2,670	3,670	2,670	2,670	2,370	3,650	32,842	30,500	29,000
Funded by:															
National Government	11,290				9,032				6,776			-	27,098	27,591	28,955
Transfers recognised - capital	11,290	-	-	-	9,032	-	-	-	6,776	-	-	-	27,098	27,591	28,955
Internally generated funds		522	522	522	522	522	522	522	522	522	522	523	5,744	2,909	45
Total Capital Funding	11,290	522	522	522	9,554	522	522	522	7,298	522	522	523	32,842	30,500	29,000

Table 21 MBRR SA30 - Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Cash Receipts By Source													1		
Property rates	2,715	2,715	2,715	2,715	2,715	2,715	2,715	2,715	2,715	2,715	2,715	2,715	32,580	34,500	36,600
Service charges - refuse revenue	155	155	155	155	155	155	155	155	155	155	155	155	1,863	1,975	2,100
Rental of facilities and equipment	46	46	46	46	46	46	46	46	46	46	46	46	550	600	660
Interest earned - external investments	125	125	125	125	125	125	125	125	125	125	125	125	1,500	1,500	1,500
Interest earned - outstanding debtors	666	666	666	666	666	666	666	666	666	666	666	674	8,000	8,000	8,000
Fines, penalties and forfeits	6	6	6	6	6	6	6	6	6	6	6	6	72	102	127
Agency services	192	192	192	192	192	192	192	192	192	192	192	192	2,300	2,525	2,800
Transfer receipts - operational	43,228	588		6,711	31,047		3,000	442	22,956			–	107,972	112,396	122,487
Other revenue	32	32	32	32	32	32	32	32	32	32	32	32	378	409	439
Cash Receipts by Source	47,164	4,524	3,936	10,647	34,983	3,936	6,936	4,378	26,892	3,936	3,936	3,945	155,215	162,007	174,713
Other Cash Flows by Source															
Transfer receipts - capital	11,290				9,032				6,776			–	27,098	27,591	28,955
Total Cash Receipts by Source	58,454	4,524	3,936	10,647	44,015	3,936	6,936	4,378	33,668	3,936	3,936	3,945	182,313	189,598	203,668
Cash Payments by Type															
Employee related costs	5,396	5,396	5,396	5,396	5,396	5,396	5,396	5,396	5,396	5,396	5,396	5,397	64,757	69,290	74,140
Remuneration of councillors	810	810	810	810	810	810	810	810	810	810	810	810	9,720	10,400	11,128
Finance charges	30	30	30	30	30	30	30	30	30	30	30	30	360	50	–
Other materials	68	68	68	68	68	68	68	68	68	68	68	68	815	860	905
Contracted services	3,094	3,094	3,094	3,094	3,094	3,094	3,094	3,094	3,094	3,094	3,094	3,094	37,131	36,456	40,381
Transfers and grants - other	146	146	146	146	146	146	146	146	146	146	146	146	1,750	2,000	2,000
Other expenditure	2,105	2,105	2,105	2,105	2,105	2,105	2,105	2,105	2,105	2,105	2,105	2,106	25,265	26,555	27,510
Cash Payments by Type	11,650	11,650	11,650	11,650	11,650	11,650	11,650	11,650	11,650	11,650	11,650	11,651	139,798	145,611	156,065
Other Cash Flows/Payments by Type															
Capital assets	–	2,986	2,986	2,986	2,986	2,986	2,986	2,986	2,986	2,986	2,986	2,986	32,842	30,500	29,000
Repayment of borrowing	133	133	133	133	133	133	133	133	133	133	133	137	1,600	–	–
Total Cash Payments by Type	11,783	14,768	14,768	14,768	14,768	14,768	14,768	14,768	14,768	14,768	14,768	14,774	174,240	176,111	185,065
NET INCREASE/(DECREASE) IN CASH HELD	46,671	(10,244)	(10,832)	(4,121)	29,247	(10,832)	(7,832)	(10,390)	18,900	(10,832)	(10,832)	(10,828)	8,073	13,486	18,603
Cash/cash equivalents at the month/year begin:	6,405	53,076	42,832	32,000	27,879	57,126	46,293	38,461	28,071	46,971	36,139	25,306	6,405	14,478	27,964
Cash/cash equivalents at the month/year end:	53,076	42,832	32,000	27,879	57,126	46,293	38,461	28,071	46,971	36,139	25,306	14,478	14,478	27,964	46,567

2.10 Annual budgets and SDBIPs – internal departments

Tables 22 and 23 show the monthly departmental SDBIP for expenditure and income respectively. The detailed SDBIP will be submitted separately.

2.10.1 Table 22 - SDBIP Expenditure

Details	Draft Budget 2018/2019	July	August	September	October	November	December	January	February	March	April	May	June
Expenditure													
Council General	14,642,000	1,220,200	1,220,200	1,220,200	1,220,200	1,220,200	1,220,200	1,220,200	1,220,200	1,220,100	1,220,100	1,220,100	1,220,100
Municipal Manager	17,529,040	1,460,790	1,460,750	1,460,750	1,460,750	1,469,750	1,460,750	1,460,750	1,460,750	1,460,750	1,460,750	1,460,750	1,460,750
Corporate Services	24,645,600	2,053,800	2,053,800	2,053,800	2,053,800	2,053,800	2,053,800	2,053,800	2,053,800	2,053,800	2,053,800	2,053,800	2,053,800
Community Services	12,972,960	1,081,080	1,081,080	1,081,080	1,081,080	1,081,080	1,081,080	1,081,080	1,081,080	1,081,080	1,081,080	1,081,080	1,081,080
Library	1,993,840	166,190	166,150	166,150	166,150	166,150	166,150	166,150	166,150	166,150	166,150	166,150	166,150
Traffic	3,824,120	318,420	318,700	318,700	318,700	318,700	318,700	318,700	318,700	318,700	318,700	318,700	318,700
Motor Licencing	1,364,320	113,620	113,700	113,700	113,700	113,700	113,700	113,700	113,700	113,700	113,700	113,700	113,700
Finance	27,436,960	2,286,560	2,286,400	2,286,400	2,286,400	2,286,400	2,286,400	2,286,400	2,286,400	2,286,400	2,286,400	2,286,400	2,286,400
Technical Services	22,592,720	1,883,020	1,882,700	1,882,700	1,882,700	1,882,700	1,882,700	1,882,700	1,882,700	1,882,700	1,882,700	1,882,700	1,882,700
Road and Stormwater Maintenance	17,100,000	1,425,000	1,425,000	1,425,000	1,425,000	1,425,000	1,425,000	1,425,000	1,425,000	1,425,000	1,425,000	1,425,000	1,425,000
Building & Infrastructure Main	4,700,000	391,300	391,700	391,700	391,700	391,700	391,700	391,700	391,700	391,700	391,700	391,700	391,700
Cemetery	1,256,440	104,740	104,700	104,700	104,700	104,700	104,700	104,700	104,700	104,700	104,700	104,700	104,700
Environmental Management	1,210,000	101,000	101,000	100,800	100,800	100,800	100,800	100,800	100,800	100,800	100,800	100,800	100,800
Cleansing and Solid Waste Mgt	1,880,000	156,500	156,500	156,700	156,700	156,700	156,700	156,700	156,700	156,700	156,700	156,700	156,700
Pounds	150,000	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
Capital Expenditure	32,842,000		2,985,600	2,985,600	2,985,600	2,985,600	2,985,600	2,985,600	2,985,600	2,985,600	2,985,600	2,985,600	2,986,000
	186,140,000	12,774,600	15,760,400	15,760,500	15,760,500	15,760,500	15,760,500	15,760,500	15,760,500	15,760,400	15,760,400	15,760,400	15,760,800

2.10.2 Table 23 - SDBIP Income

Details	Draft Budget 2018/2019	July	August	September	October	November	December	January	February	March	April	May	June
Revenue													
Fees: Photocopies	25,000	2,000	2,000	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100
Fees: Rates Clearance	12,500	1,000	1,000	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050
Grants: Equitable Share	91,820,000	38,258,000	0	0	0	30,606,000	0	0	0	22,956,000	0	0	0
Grants:FMG	1,970,000	1,970,000	0	0	0	0	0	0	0	0	0	0	0
Provincial Government: Library Services	2,711,000	0	0	0	2,711,000	0	0	0	0	0	0	0	0
EPWP Program	1,471,000	0	588,000	0	0	441,000	0	0	442,000	0	0	0	0
Interest: Investments	1,500,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Interest: Arrear Accounts/Penalties	8,000,000	666,500	666,500	666,700	666,700	666,700	666,700	666,700	666,700	666,700	666,700	666,700	666,700
Interest: Current Account	50,000	4,000	4,000	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200
Rent: Facilities	550,000	46,000	46,000	45,800	45,800	45,800	45,800	45,800	45,800	45,800	45,800	45,800	45,800
Net Rates	36,200,000	3,016,500	3,016,500	3,016,700	3,016,700	3,016,700	3,016,700	3,016,700	3,016,700	3,016,700	3,016,700	3,016,700	3,016,700
Library Fines	2,000	100	100	100	100	200	200	200	200	200	200	200	200
Hall Rentals	70,000	6,000	6,000	5,800	5,800	5,800	5,800	5,800	5,800	5,800	5,800	5,800	5,800
Traffic Fines	70,000	6,000	6,000	5,800	5,800	5,800	5,800	5,800	5,800	5,800	5,800	5,800	5,800
Fees: Learner Licence	250,000	21,000	21,000	20,800	20,800	20,800	20,800	20,800	20,800	20,800	20,800	20,800	20,800
Fees: Drivers Licence	1,100,000	91,500	91,500	91,700	91,700	91,700	91,700	91,700	91,700	91,700	91,700	91,700	91,700
Fees: Agency Fees	950,000	79,000	79,000	79,200	79,200	79,200	79,200	79,200	79,200	79,200	79,200	79,200	79,200
Fees: Building Plans	65,000	5,500	5,500	5,400	5,400	5,400	5,400	5,400	5,400	5,400	5,400	5,400	5,400
Fees: Tender Fees	150,000	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
Capital Grants	27,098,000	11,290,000	0	0	0	9,032,000	0	0	0	6,776,000	0	0	0
INEP Grant	10,000,000	3,000,000	0	0	4,000,000	0	0	3,000,000	0	0	0	0	0
Fees: Burial	5,500	500	500	450	450	450	450	450	450	450	450	450	450
Fees: Services	2,070,000	172,500	172,500	172,500	172,500	172,500	172,500	172,500	172,500	172,500	172,500	172,500	172,500
	186,140,000	58,773,600	4,843,600	4,255,800	10,966,800	44,334,900	4,255,900	7,255,900	4,697,900	33,987,900	4,255,900	4,255,900	4,255,900

2.11 Contracts having future budgetary implications

In terms of the municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

2.12 Capital expenditure details

The following two tables' present details of the municipality's capital expenditure programme on new assets and on the repair and maintenance of assets.

Table 24 MBRR SA 34a - Capital expenditure on new assets by asset class

Description R thousand	2018/19 Medium Term Revenue & Expenditure Framework		
	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<u>Capital expenditure on new assets by Asset Class/Sub-class</u>			
<u>Infrastructure</u>	8,500	4,500	11,800
Roads Infrastructure	8,500	4,500	11,800
Roads	8,500	4,500	11,800
<u>Community Assets</u>	10,100	8,500	12,200
Community Facilities	8,100	8,500	9,700
Halls	1,500	2,500	4,600
Centres	2,500	2,000	
Crèches	2,500	2,500	3,100
Public Open Space	600		2,000
Taxi Ranks/Bus Terminals	1,000	1,500	

Sport and Recreation Facilities	2,000	–	2,500
<i>Outdoor Facilities</i>	2,000		2,500
<u>Computer Equipment</u>	1,000	–	–
Computer Equipment	1,000		
<u>Furniture and Office Equipment</u>	1,000	–	–
Furniture and Office Equipment	1,000		
<u>Machinery and Equipment</u>	750	–	–
Machinery and Equipment	750		
<u>Transport Assets</u>	1,792	–	–
Transport Assets	1,792		
Total Capital Expenditure on new assets	23,142	13,000	24,000

Table 25 MBRR SA34b Capital expenditure on the renewal of existing assets by asset class

Description R thousand	2018/19 Medium Term Revenue & Expenditure Framework		
	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<u>Capital expenditure on renewal of existing assets by Asset Class/Sub-class</u>			
<u>Infrastructure</u>	9,700	17,500	5,000
Roads Infrastructure	9,700	17,500	5,000
<i>Roads</i>	9,700	17,500	5,000
Total Capital Expenditure on renewal of existing assets	9,700	17,500	5,000
<i>Renewal of Existing Assets as % of total capex</i>	29.5%	57.4%	17.2%
<i>Renewal of Existing Assets as % of deprecn"</i>	71.9%	118.2%	30.9%

Table 26 MBRR SA34c - Repairs and maintenance expenditure by asset class

Description	2018/19 Medium Term Revenue & Expenditure Framework		
	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand			
<u>Repairs and maintenance expenditure by Asset Class/Sub-class</u>			
<u>Infrastructure</u>	17,000	15,130	17,600
Roads Infrastructure	7,000	7,450	8,000
Roads	7,000	7,450	8,000
Electrical Infrastructure	10,000	7,680	9,600
LV Networks	10,000	7,680	9,600
<u>Community Assets</u>	1,400	1,800	2,200
Community Facilities	1,400	1,800	2,200
Halls	1,000	1,500	2,000
Crèches	400	300	200
<u>Other assets</u>	4,250	4,350	4,490
Operational Buildings	4,250	4,350	4,490
Municipal Offices	4,250	4,350	4,490
<u>Furniture and Office Equipment</u>	80	130	130
Furniture and Office Equipment	80	130	130
Total Repairs and Maintenance Expenditure	22,650	21,280	24,290
<i>R&M as a % of PPE</i>	9.8%	8.5%	9.2%
<i>R&M as % Operating Expenditure</i>	16.1%	13.9%	15.1%

Table 27 MBRR SA34d - Detailed capital budget per municipal vote

Description	2018/19 Medium Term Revenue & Expenditure Framework		
	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand			
<u>Depreciation by Asset Class/Sub-class</u>			
<u>Infrastructure</u>	6,480	7,104	7,776
Roads Infrastructure	6,480	7,104	7,776
Roads	6,480	7,104	7,776
<u>Other assets</u>	6,264	6,867	7,517
Operational Buildings	6,264	6,867	7,517
Municipal Offices	6,264	6,867	7,517
<u>Intangible Assets</u>	166	182	199
Licences and Rights	166	182	199
Computer Software and Applications	166	182	199
<u>Computer Equipment</u>	159	174	190
Computer Equipment	159	174	190
<u>Furniture and Office Equipment</u>	120	132	145
Furniture and Office Equipment	120	132	145
<u>Machinery and Equipment</u>	125	137	150
Machinery and Equipment	125	137	150
<u>Transport Assets</u>	186	204	223
Transport Assets	186	204	223
Total Depreciation	13,500	14,800	16,200

Table 28 MBRR SA36 - Detailed capital budget

Municipal Vote/Capital project R thousand	Program/Project description	Individually Approved (Yes/No) 6	Asset Class 3	Asset Sub-Class 3	Total Project Estimate	2018/19 Medium Term Revenue & Expenditure Framework			Project information	
						Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21	Ward location	New or renewal
Parent municipality: <i>List all capital projects grouped by Municipal Vote</i>										
Disability Skills Centre	Construction of centre	Yes	Community Facilities	Centres	1,500	1,500			1	New
Internal Roads	Upgrade of Roads	Yes	Roads Infrastructure	Roads	3,500	3,500			2	Renewal
Khamanzi Sportsfield	Construction of Sportsfield	Yes	Sport and Recreation Facilities	Outdoor Facilities	3,000	3,000			3	New
Mchunu Access Road	Upgrade of Roads	Yes	Roads Infrastructure	Roads	1,500	1,500			4	Renewal
Bhamshela Taxi rank	Construction of Taxi Rank	Yes	Community Facilities	Taxi Ranks/Bus Terminals	1,000	1,000			5	New
Estezi Creche	Construction of Creche	Yes	Community Facilities	Crèches	1,500	1,500			6	New
Internal Roads	Upgrade of Roads	Yes	Roads Infrastructure	Roads	1,200	1,200			7	Renewal
Mbeka Road	Construction of Roads	Yes	Roads Infrastructure	Roads	2,500	2,500			8	New
L714 Access Road	Construction of Roads	Yes	Roads Infrastructure	Roads	3,000	3,000			9	New
L714 Access Road	Construction of Roads	Yes	Roads Infrastructure	Roads	3,000	3,000			10	New
Disability Community Facility	Construction of Facility	Yes	Community Facilities	Centres	1,000	1,000			11	New
D1013	Construction of Roads	Yes	Roads Infrastructure	Roads	3,500	3,500			12	Renewal
High Mast Lighting	Construction of High Mast Lighting	Yes	Community Facilities	Unspecified	600	600			13	New
Sococlele Community Hall	Construction of Community Hall	Yes	Community Facilities	Halls	1,500	1,500			14	New
Plant	Purchase of Plant	Yes	Machinery and Equipment	Unspecified	750	750				New
Furniture	Purchase of Furniture	Yes	Furniture and Office Equipment	Unspecified	750	750				New
Computer Equipment	Purchase of Computer Equipment	Yes	Computer Equipment	Unspecified	1,000	1,000				New
Equipment	Purchase of Equipment	Yes	Furniture and Office Equipment	Unspecified	250	250				New

Vehicles	Purchase of Vehicles	Yes	Transport Assets	Unspecified	1,792	1,792				New
D239	Upgrading of D239	Yes	Roads Infrastructure	Roads			3,500		1	Renewal
Access Roads	Upgrading of Access Roads	Yes	Roads Infrastructure	Roads			1,500		2	Renewal
D40	Upgrading of D40	Yes	Roads Infrastructure	Roads			2,500		3	Renewal
Mbalenhle Hall	Mbalenhle Hall	Yes	Community Facilities	Halls			2,500		4	New
Bhamshela Taxi Rank	Completion of Bhamshela Taxi Rank	Yes	Community Facilities	Taxi Ranks/Bus Terminals			1,500		5	New
Tholeni Hall Access Road	Upgrde of Tholeni Hall Access Road	Yes	Roads Infrastructure	Roads			2,000		6	Renewal
Internal Access Roads	Internal Access Roads	Yes	Roads Infrastructure	Roads			2,500		7	New
Nazo & KwaBishi Roads	Upgrade of Nazo & KwaBishi Roads	Yes	Roads Infrastructure	Roads			1,500		8	Renewal
Upper Main Road	Upgrade of Upper Main Road	Yes	Roads Infrastructure	Roads			2,500		9	Renewal
D708	Upgrade of D708	Yes	Roads Infrastructure	Roads			2,000		10	Renewal
Childcare Centre	Construction of Childcare Centre	Yes	Community Facilities	Centres			2,000		11	New
D1013	Completion of D1013	Yes	Roads Infrastructure	Roads			2,000		12	New
D1012	Upgrade of D1012	Yes	Roads Infrastructure	Roads			2,000		13	Renewal
Glenside Creche	Construction of Glenside Creche	Yes	Community Facilities	Crèches			2,500		14	New
Internal Access Roads	Construction of Access Roads	Yes	Roads Infrastructure	Roads				1,800	1	New
High Mast Lighting	Construction of High Mast Lighting	Yes	Community Facilities	Unspecified				1,000	2	New
D40	Completion of D40	Yes	Roads Infrastructure	Roads				3,000	3	New
Mkhakhasi Creche	Construction of Creche	Yes	Community Facilities	Crèches				1,200	4	New
Ireland Sportsfield	Construction of Sportsfield	Yes	Sport and Recreation Facilities	Outdoor Facilities				2,500	5	New
High Mast Lighting	Construction of High Mast Lighting	Yes	Community Facilities	Unspecified				1,000	6	New
Reseling of Roads	Resealing of Roads	Yes	Roads Infrastructure	Roads				2,000	7	Renewal
Sggumeni Hall	Construction of Hall	Yes	Community Facilities	Halls				2,100	8	New
L714 Access Road	Phase 2 of Construction	Yes	Roads Infrastructure	Roads					9	New

								3,500		
Khlope/Khalathini Creche	Construction of Creche	Yes	Community Facilities	Crèches				1,000	10	New
Egazini Creche	Construction of Creche	Yes	Community Facilities	Crèches				900	11	New
D1013	Completion of D1013	Yes	Roads Infrastructure	Roads				3,500	12	New
D1012	Upgrade of Road	Yes	Roads Infrastructure	Roads				3,000	13	Renewal
Appelsbosch Hall	Construction of Hall	Yes	Community Facilities	Halls				2,500	14	New
Parent Capital expenditure						32,842	30,500	29,000		

2.13 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting
Reporting to National Treasury in electronic format is fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved.
2. Internship programme
The municipality is participating in the Municipal Financial Management Internship programme and has employed six interns undergoing training in various divisions of the Financial Services Department. The interns have completed their two-year contract on 31 January 2015, and their term was extended for another year. The new set of interns are in the process of being appointed. The appointments will be finalised by 30 June 2016.
3. Budget and Treasury Office
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee
An Audit Committee has been established and is fully functional.
5. Service Delivery and Implementation Plan
The detail SDBIP document is at a draft stage and will be finalised after approval of the 2018/19 MTREF in May 2018 and is directly aligned and informed by the 2018/19 IDP.
6. Annual Report
Annual report is compiled in terms of the MFMA and National Treasury requirements.
7. Minimum Competency Levels
All Heads of Departments have achieved their minimum competency levels. All employees within the BTO have either completed their MFMP/CPMD training.
8. Policies
Subsequent to the amendment of the Municipal Property Rates Regulations ratios as prescribed are complied with.

2.14 Responses to Treasury Comments

- Tables SA7, SA8 and SA9 have been populated as far as where the municipality is affected
- The partially completed tables have been completed
- The unspent conditional grants disclosed in the 2016/17 AFS will be spent in the 2017/18 financial year
- The Service Level Standards will be submitted with the final budget
- Table SA18 has been corrected, to include the Grant from Sports and Recreation. The grant of R 192 000 is not for uMshwathi but for Umngeni as per the Provincial gazette.
- The effective 7.8% increase in rentals is due to increase as per the lease agreements and additional rental for market stalls

- The decrease in fines and penalties is due to the decision not raise penalties on arrear rates in line with other municipalities
- There is a more than normal increase in agency income since this has been a trend over the past three to four years. The main reason for this is the influx license renewals from Pietermaritzburg
- Increase in other income is mainly due to additional sources of income in the form of introduction of Town Planning tariffs
- Increase in salaries is for the increase as per the collective agreement and filling of critical posts
- There is no indication of what the gazetted increase for councillors is going to be therefore if the budget is overstated it will be adjusted during the adjustment budget process
- The municipality is expected to collect the bulk of the debt owed by the Department of Water and Sanitation thus not budgeting for debt impairment. However if need be debt impairment will be budgeted for during adjustment budget process
- SA 36 has been populated, however we are still having difficulty in finalising the GPS coordinates. This will be resolved by 30 June 2018
- The Capital budget has been adjusted to include renewals (29%). The repairs and maintenance will adequately cater for the upkeep of the infrastructure
- The municipality considers a collection rate of 90% reasonable with its debt collection process in full swing
- The budget for finance charges is correct since two of the existing loans will be paid up in 2017/18
- The cash and cash equivalents has been adjusted accordingly. As mentioned above the municipality considers the collection rate reasonable.

2.15 Other supporting documents

The supporting tables to the A1 schedules are attached to this document,

2.16 Municipal manager's quality certificate

I Mr. N.M. Mabaso, municipal manager of uMshwathi Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name Mr. N.M. Mabaso

Municipal manager of uMshwathi Municipality

Signature _____

Date _____